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Approved For Release 2002/11/20 : CIA-RDP84-00780R003600020007-6

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Colonel White

DD/S  
FILE Personnel 11-1

Also attached is a comparison of the  
increase in maternity benefits.

SIGNED R. L. Bannerman

R. L. Bannerman  
20 JAN 1970

DD/S:RLB:ksb (19 Jan 70)

Distribution:

Orig - Adse w/O&1 DD/S 70-0191

X - DD/S Subject w/ccy DD/S 70-0191

1 - DD/S Chrono

DD/S 70-0191: Memo dtd 16 Jan 70 for ExDir-Compt fr D/Pers, subj: Maternity Benefits -  
Association Benefit Plan

UNCLASSIFIED				CONFIDENTIAL				SECRET			
<b>OFFICIAL ROUTING SLIP</b>											
TO	NAME AND ADDRESS						DATE		INITIALS		
1	Deputy Director for Support										
2	Room 7-D-18 Headquarters										
3											
4											
5											
6											
ACTION			DIRECT REPLY			PREPARE REPLY					
APPROVAL			DISPATCH			RECOMMENDATION					
COMMENT			FILE			RETURN					
CONCURRENCE			INFORMATION			SIGNATURE					
<b>Remarks:</b>  <p>Attached is a comparison sheet, as you requested, that should be sent forward with our memorandum to the Executive Director-Comptroller on our action to improve maternity benefits offered by the GEHA Hospitalization Plan.</p> <p><i>NOTE - EXACT COMPARISON IN FULL DETAIL IS MOST DIFFICULT - THIS COVERS THE MAJOR ITEMS. I REMIND YOU THIS IS WITHOUT INCREASE IN PREMIUM THIS YEAR.</i></p>											
FOLD HERE TO RETURN TO SENDER											
FROM: NAME, ADDRESS AND PHONE NO.								DATE			
Director of Personnel								19 JAN 1970			
Rm. 5-E-56											
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SUBJECT: (Optional)

## Maternity Benefits - Association Benefit Plan

FROM:		EXTENSION		NO.
Director of Personnel 5 E 56, Headquarters		<input type="checkbox"/>		DATE
TO: (Officer designation, room number, and building)		DATE		COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
		RECEIVED	FORWARDED	
1.	Deputy Director for Support 7D18, Hq.			<p>The attached memorandum reports our success in improving maternity benefits of the Agency's hospitalization plan.</p> <p>Let me add the following to what is covered in paragraph 6 of the memorandum. The Director, BRI would only approve our action if the new benefits were added to our plan at no cost. He felt that to increase the premium cost now, after the open season has ended, would be unfair to those employees who might have chosen to change plans during the open season rather than pay an increased premium attributable to maternity benefits.</p> <p>On reserves, both the BRI and the underwriter maintain reserves for use in the event of adverse experience. Should our 1970 experience be adverse because of the new maternity coverage or otherwise because of increasing medical costs, these reserves will absorb the cost for 1970 but a premium rate increase would be necessary for 1971. We had planned such an increase in 1971 anyway to cover the cost of improving maternity benefits originally planned for 1971.</p>
2.	Executive Director-Comptroller 7E12, Hq.			
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Robert S. Wattles  
Director of Personnel

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USE ONLY

16 JAN 1970

MEMORANDUM FOR: Executive Director-Comptroller  
THROUGH : Deputy Director for Support *LB* 16 JAN 1970  
SUBJECT : Maternity Benefits - Association Benefit Plan  
REFERENCE : Your Note to the DD/S dated 2 January 1970

1. This memorandum is for information only.
2. In your referent note you discussed the maternity benefits provided by the Agency's Hospitalization Insurance Plan and attached a summary which compared the benefits of our plan with those offered by Blue Cross. Obviously highlighted is the inadequacy of the maternity coverage offered by the Agency's plan.
3. For the record, let me say that some of the information contained in the summary is not accurate. For example, the writer states in paragraph 4 that our plan does not provide coverage for pre-natal care in cases of maternity involving complications. This is not correct. Paragraph 5 of the summary indicates that Blue Cross essentially provides full coverage of a normal birth, and this is not accurate. In the example given in paragraph 5 of the memorandum, the physicians' charge for deliveries is \$300. Our understanding of the Blue Cross Plan is that it would only pay \$134 of this charge; the balance, \$166, would be the responsibility of the individual.
4. There are other minor inaccuracies in the summary, but we do not mean to detract from the point which is made. There is no question that the maternity benefits of our plan are deficient and we have long acknowledged the need to improve them. In our review in early 1969 of changes to be proposed for the contract year beginning 1 January 1970, we were prepared to seek authorization from the Bureau of Retirement and Insurance (BRI) to improve our maternity coverage generally to the level of the coverage offered by Blue Cross. (Since the Agency's plan, like Blue Cross, is one offered under the Federal Employees Health Benefits Act, the BRI is the approving authority for changes in our Plan.) In its meeting of 25 February 1969, the GEHA Board of Directors approved our recommendation to do this. Unfortunately, we, as did all hospitalization plans, received a strong letter from

the Director, BRI in which he indicated that benefit changes, such as the ones we were proposing, would not be approved. Consequently, we had to postpone our decision to improve the maternity benefits of the Agency's health plan.

5. One last comment on the summary attached to your memorandum. The writer suggests as an alternative that the Agency plan be reconstituted to provide high and low maternity benefit options. Frankly, this alternative is unsound and would be unacceptable to BRI and our underwriter. Only those employees who expect to recover would purchase the option with better maternity benefits and the plan would suffer adverse selection. To offset the adverse selection, the premium would have to be established at a prohibitively high level. Moreover, we have already experienced a plan that suffered adverse selection. You may recall that several years ago, we offered a plan of dental insurance in the hope of attracting subscribers who felt that such a plan would add to their overall insurance protection. Instead, only those employees who knew they would soon be incurring dental expenses purchased the plan, and the claims experience was so disastrous that the underwriter found it necessary to cancel the plan. We believe the same would occur with the two option maternity benefit suggestion made by the writer of the summary.

6. Your memorandum to the DD/S came after I had already initiated with my Deputy for Special Programs an effort to do something about improving maternity benefits. This effort began in mid-November and, as a result, we had every reason to believe that our maternity benefits would be improved for the contract year beginning January 1971. This still left our plan deficient for the year 1970 and we felt something had to be done. Upon receipt of your memorandum, we intensified our effort and decided to go to the Director, BRI to see what could be done now to protect a large category of Agency employees, particularly our younger ones. I am pleased to report that the Director, BRI responded warmly to our plea and indicated that he would approve our request to improve maternity benefits, to the Blue Cross level of coverage, retroactive to 1 January 1970. He would do this, however, only if our plan was able to absorb the improved maternity benefit without an increase in premium. We then negotiated with our underwriter, Mutual of Omaha, because of our estimate that our plan has sufficient reserves to absorb the cost. On 12 January 1970, the underwriter informed us that we were able to proceed. On 14 January, I called an emergency meeting of the GEHA Directors, who endorsed our recommendation to improve maternity benefits for the current year. A request for the change is now being prepared for submission to the Director, BRI - who has already indicated that he is prepared to approve this request when received.

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7. We will announce this significant improvement at the coming  
GEHA annual meeting and by appropriate notices to Headquarters

*W/s/* Robert S. Wattlea  
Robert S. Wattlea  
Director of Personnel

Distribution:

0 - Addressee

1 - ER

*1 - DDS SUBJECT*

1 - D/Pers

1 - DD/Pers/SP

1 - C/BSD

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OP/D/SP/  :slr:jas (14 January 1970)



UNCLASSIFIED		CONFIDENTIAL		SECRET	
OFFICIAL ROUTING SLIP					
TO	NAME AND ADDRESS			DATE	INITIALS
1	Deputy Director for Support			1/2/70	[Signature]
2	D/Pers				
3					
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6					
X	ACTION		DIRECT REPLY		PREPARE REPLY
	APPROVAL		DISPATCH		RECOMMENDATION
	COMMENT		FILE		RETURN
	CONCURRENCE		INFORMATION		SIGNATURE
Remarks:					
DD/S Suspense: 16 January 1970					
FOLD HERE TO RETURN TO SENDER					
FROM: NAME, ADDRESS AND PHONE NO.					DATE
Executive Director - Comptroller 7D59.					2 Jan 70
UNCLASSIFIED		CONFIDENTIAL		SECRET	

FORM NO. 237 Use previous editions  
1-67

DD/S Distribution:

Orig - D/Pers w/orig of DD/S 70-0005 (key hand)  
1 - DD/S Subject w/cy of DD/S 70-0005

DD/S 70-0005: Memo dtd 2 Jan 70 to DD/S fr LKW, subj: re difference in maternity benefits between GEHA and Blue Cross

2 January 1970

MEMORANDUM FOR: Deputy Director for Support

Bob :

I was provided with the attached memorandum by a young employee who recently experienced personally the problem described therein. I am very surprised that there is as much as a \$500 differential in maternity benefits between the Agency's Health Plan and that of Blue Cross -- if his observations are correct. On the surface it also seems to me questionable that some of our officers under cover have no alternative but to pay such a sum, particularly if the principal reason is to keep down the costs of the Plan for other employees.

Please review this situation and report to me as soon as possible. I understand the annual meeting of GEHA is scheduled for 21 January 1970. I think it would be useful to complete your report a few days before this meeting.



L. K. White

25X1

Attachment

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MEMORANDUM

1. The following summarizes the differences in maternity benefits between the GEHA and the Blue Cross Plans.

2. Inpatient Hospital Services. These services normally include the mother's room and board, X-ray and laboratory services, use of the delivery room, labor room, and nursery care of the infant. The two largest items are the mother's room and board (around \$57 per day in D. C.) and the infant's nursery care (\$26 per day). A normal delivery and an average stay in the hospital (in D. C.), therefore, would cost approximately \$450. GEHA pays up to \$30 per day or no more than \$150 for the above-mentioned period. Blue Cross pays the full cost; the difference is \$300.

3. Physicians' Services. GEHA pays up to \$100 for delivery of the baby, nothing for pre- and post-natal care. Blue Cross varies its coverage according to the region of the country but seeks to provide full coverage for the delivery as well as pre- and post-natal care. This amounts to slightly over \$300 in D. C. (actual costs, depending on the price of one's obstetrician, can range as high as \$450 in D. C.). The difference here is at least \$200.

4. Maternity Involving Complications. GEHA covers this category as if it were a major medical expense and therefore tends to approximate Blue Cross (although still not providing pre-natal care).

5. Conclusion. Blue Cross essentially provides full coverage of a normal birth. GEHA covers about one-third of the cost of maternity in D. C. In dollars, if an average birth in the District costs \$750 (\$450 for mother and infant care in hospital and \$300 for physician), GEHA covers \$250 and Blue Cross picks up the full tab. As of 1 January 1970, the GEHA family plan costs the employee \$9.39 per pay period, and the Blue Cross family high option \$13.59 per pay period, or a difference of just under \$100 per year.

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6. Although there is a radical disparity between the two plans in maternity benefits, other coverage seems roughly comparable and perhaps even favorable to GEHA. It thus appears that the lower premium costs for the CIA health plan have been made possible by sacrificing full maternity benefits. Were it possible for all Agency employees to choose among these and other Government Group Plans, it could be argued not only that there is no inequity here but that CIA employees with no child-bearing responsibilities would have the option of a lower-cost Plan providing full coverage of other than maternity medical expenses. The fact of the matter is that those employees under cover (for whom the GEHA Plan was largely intended in the first instance) have no choice and must carry the GEHA Plan. Younger officers under cover, who have new and/or growing families and who by dint of lower salaries are least able to pay sizable maternity costs, are caught in the de facto position of receiving inadequate maternity benefits in order to enable other employees to pay lower premiums for a Plan which in all respects, except maternity benefits, is comparable to or better than other Government Health Plans.

7. Recommendations. Two alternative recommendations emerge. One is to renegotiate the GEHA Plan to include equitable maternity benefits. This undoubtedly will result in a rate rise, though perhaps not to the level of Blue Cross and other Plans. The second alternative is to provide high and low maternity benefit options in the present GEHA Plan so that under cover employees could select the high option (and pay a higher premium) while still enabling other employees to choose the low option and lower payments.

1 January 1970

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TYPE OF EXPENSE	Current Association Benefit Plan	Proposed Association Benefit Plan	Service Benefit Plan (Blue Cross-Blue Shield)
FOR NORMAL DELIVERY:			
Hospital	\$30 per day for up to 8 days, plus \$20 for anesthesia	Full Payment (semi-private accommodation)	Full Payment (semi-private accommodation)
Doctor	\$100	\$150	\$134 (Plus scheduled allowances for x-ray and lab test charges if not included in overall obstetrical charge.)
FOR COMPLICATIONS OF PREGNANCY:			
Hospital	Full Payment for Semi-private Accommodations for up to 90 days. 80% thereafter.	Full Payment for Semi-private Accommodations for up to 90 days. 80% thereafter.	Full Payment for Semi-private Accommodations for up to 365 days. 80% thereafter.
Doctor	Surgical Schedule Allowance Examples: Cesarean Section \$150* Miscarriage or Abortion with D&C 50* Patient must then satisfy \$100 deductible after which plan pays 80% of remaining charges as Major Medical Benefits. *Major Medical Benefits not payable for these conditions as they are not considered "complications of pregnancy" by Plan's definition.	Surgical Schedule Allowance Examples: Cesarean Section \$275 Miscarriage or Abortion with D&C 135 Patient must then satisfy \$100 deductible after which plan pays 80% of remaining charges as Major Medical Benefits.	Surgical Schedule Allowance Examples: Cesarean Section \$268 Miscarriage or Abortion with D&C 134 Patient must then satisfy \$100 deductible after which plan pays 80% of remaining charges as Supplemental Benefits.

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10-0002  
10-3/1

2 January 1970

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Document Registry
10-3

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